

AMENDED IN ASSEMBLY JULY 18, 2007

AMENDED IN ASSEMBLY JUNE 28, 2007

AMENDED IN SENATE MAY 24, 2007

AMENDED IN SENATE APRIL 16, 2007

SENATE BILL

No. 412

Introduced by Senator Simitian

(Principal coauthor: Assembly Member Levine)

(Coauthor: Assembly Member Brownley)

February 21, 2007

An act to amend Section 25303 of, *to add Section 21090.2 to*, and to add Chapter 3.5 (commencing with Section 25250) to Division 15 of, the Public Resources Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 412, as amended, Simitian. State Energy Resources Conservation and Development Commission: natural gas.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act (act) establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires the commission to prepare a biennial integrated energy policy report containing specified information related to major energy trends and issues facing the state, as well as a biennial energy policy review. The act requires the commission to certify sufficient sites and related facilities that are required to provide a supply of electricity sufficient to accommodate projected demand for power statewide.

This bill would enact the ~~Liquefied~~ *Liquefied* Natural Gas Market Assessment Act and would require the Energy Commission, in consultation with affected state agencies, including, but not limited to,

the Public Utilities Commission, the State Air Resources Board, the State Lands Commission, the Department of Water Resources, and the California Coastal Commission, to adopt and submit to the Legislature and the Governor, on or before July 1, 2008, the Liquefied Natural Gas Market Assessment Report of 2008 that would be incorporated into the integrated energy policy of 2007 and would contain specified information. The Energy Commission would be required to prepare a draft report, on or before April 1, 2008, to solicit public comments in the preparation of the report, and to hold 2 public hearings, one in Los Angeles and other in the San Francisco Bay area to consider the results of the *LNG liquefied natural gas* needs assessment study and to provide an opportunity for public comment. The Energy Commission would be required to include a Liquefied Natural Gas Market Assessment Report in every integrated energy policy report adopted after January 1, 2009.

The Governor, or a state or local entity would be prohibited from approving a ~~LNG facility~~ *liquefied natural gas terminal* in the state until the Liquefied Natural Gas Market Assessment Report of 2008 has been issued and becomes final and all appeals have been exhausted, or November 1, 2008, whichever is earlier. By requiring a local official to determine whether the ~~LNG Needs Evaluation Report of 2008~~ *report* has been adopted, the bill would increase the level of service provided by a local agency, thereby imposing a state-mandated local program.

The bill would prohibit a state or local entity from approving a project to construct or operate a ~~facility to import LNG to~~ *liquefied natural gas terminal* in the state, unless the project applicant ~~files with the Energy Commission a specified memorandum of understanding between the project applicant and~~ *includes in the application discussion and measures to mitigate impacts on the United States Department of Defense and the United States Coast Guard*. For a project involving the construction or operation of ~~an onshore or offshore facility or a liquefied natural gas terminal to import natural gas into the state~~ that has not received a permit to operate on or before January 1, 2008, an environmental impact report prepared for that project by a lead agency would be required to contain certain specified information. By requiring a local agency to prepare an environmental impact report to contain specified information, the bill would increase the level of service provided by a local agency, thereby imposing a state-mandated local program.

The Energy Commission would be required on or before March 31, 2008, to create a matrix on its Internet Web site containing specified

information related to the construction and operation of ~~an LNG~~ a liquefied natural gas facility project and would require quarterly updates.

(2) The act requires the Energy Commission, as a part of the integrated energy policy report, to conduct electricity and natural gas forecasting assessment activities.

This bill would, in addition, require the Energy Commission to include an assessment of California meeting its conservation, energy efficiency, and renewable energy goals and an evaluation of the global energy markets.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 21090.2 is added to the Public Resources
- 2 Code, to read:
- 3 21090.2. (a) In addition to any other requirements under this
- 4 division, for a project involving the construction or operation of
- 5 an onshore or offshore liquefied natural gas terminal that has not
- 6 received a permit to operate by a local, state, or federal agency
- 7 on or before January 1, 2008, an environmental impact report
- 8 shall contain all of the following:
- 9 (1) An analysis of feasible alternatives or mitigation measures
- 10 available that would mitigate or avoid any significant effects on
- 11 the environment identified in the environmental impact report.
- 12 (2) A liquefied natural gas project technology review that
- 13 reviews the significant effects on the environment of the proposed
- 14 technologies.
- 15 (3) An analysis of alternatives, including, but not limited to, a
- 16 range of potentially feasible project alternatives.
- 17 (4) (A) An analysis of identified significant effects on the
- 18 environment that may disproportionately impact a county, city,
- 19 community, or neighborhood.

1 (B) The lead agency shall consult with the California
2 Environmental Protection Agency in conducting the analysis
3 specified in subparagraph (A).

4 (b) This section shall not be construed as a limitation on the
5 power of a public agency to otherwise disapprove the project
6 pursuant to any other provision of law.

7 (c) This section shall not be construed as a limitation to comply
8 with any other requirements of this division or any other provision
9 of law.

10 ~~SECTION 1. The Legislature finds and declares all of the~~
11 ~~following:~~

12 ~~(a) It is the policy of the state to meet California's energy growth~~
13 ~~by optimizing energy conservation, and resource efficiency and~~
14 ~~by reducing per capita demand to ensure a clean, safe, and reliable~~
15 ~~supply of energy for California.~~

16 ~~(b) It is the policy of the state to be sensitive to the impact of~~
17 ~~the state's energy policy on global climate change and to conduct~~
18 ~~life-cycle energy analyses in determining the composition of the~~
19 ~~state's energy portfolio.~~

20 ~~(c) It is the policy of the state to accelerate the use of renewable~~
21 ~~energy resources wherever feasible and to ensure a diverse and~~
22 ~~affordable portfolio of fuel sources to minimize the opportunity~~
23 ~~for supply interruptions.~~

24 ~~(d) The state has a critical role in decisions regarding the siting~~
25 ~~and design of new onshore and offshore infrastructure for the~~
26 ~~importation of liquefied natural gas that results in impacts to public~~
27 ~~health, safety, and the environment.~~

28 ~~(e) Laws and regulations enacted by the state to address~~
29 ~~consumer, community, public health, safety, and environmental~~
30 ~~impacts of new onshore and offshore imported liquefied natural~~
31 ~~gas infrastructure, where more protective, should not be preempted~~
32 ~~by weaker, less protective federal laws and regulations.~~

33 ~~(f) Decisions regarding the importation of liquefied natural gas~~
34 ~~should be based on a comprehensive review of current and~~
35 ~~projected natural gas supply and demand in California with~~
36 ~~emphasis on current law prioritizing loading orders for demand~~
37 ~~reduction, energy conservation and efficiency, as well as~~
38 ~~developing renewable sources of energy.~~

39 ~~(g) The possible importation of liquefied natural gas should be~~
40 ~~reviewed as part of the state's integrated energy policy report,~~

1 ~~which contains an overview of major energy trends and issues~~
2 ~~facing the state, including, but not limited to, supply, demand,~~
3 ~~pricing, reliability, efficiency, conservation, and renewable energy~~
4 ~~supplies, and impacts on public health and safety, the economy,~~
5 ~~resources, and the environment.~~

6 ~~(h) When determining energy sources to meet California's~~
7 ~~energy needs, siting decisions for projects with impacts on human~~
8 ~~health and the environment shall consider disproportionate impacts~~
9 ~~on environmental justice communities.~~

10 ~~(i) It is the policy of the state to maximize opportunities for~~
11 ~~energy independence.~~

12 SEC. 2. Chapter 3.5 (commencing with Section 25250) is added
13 to Division 15 of the Public Resources Code, to read:

14
15 CHAPTER 3.5. LIQUEFIED NATURAL GAS MARKET ASSESSMENT
16 ACT
17

18 25250. This chapter shall be known and may be cited as the
19 Liquefied Natural Gas Market Assessment Act.

20 25250.5. For purposes of this chapter, the following definitions
21 apply:

22 ~~(a) "Applicant" means a person who files a request for~~
23 ~~certification, pursuant to Chapter 6 (commencing with Section~~
24 ~~25500) to build and operate a facility to import natural gas from~~
25 ~~nondomestic or Canadian sources into this state.~~

26 ~~(b) "Feasible" means capable of being accomplished in a~~
27 ~~successful manner within a reasonable period of time, taking into~~
28 ~~account all of the following:~~

29 ~~(1) Economic, environmental, social, technological, safety, and~~
30 ~~reliability factors.~~

31 ~~(2) Gas supply and demand forecasts.~~

32 ~~(3) Alternative sources of energy.~~

33 ~~(e)~~

34 ~~(a) "Liquefied natural gas" or "LNG" means natural gas cooled~~
35 ~~to minus 259 degrees Fahrenheit so that it forms a liquid at~~
36 ~~approximately atmospheric pressure.~~

37 ~~(d)~~

38 ~~(b) "Liquefied natural gas terminal," "terminal," or "LNG~~
39 ~~terminal," means facilities a facility designed to receive liquefied~~
40 ~~natural gas from oceangoing vessels, including those facilities~~

1 required for storage and regasification of the liquefied natural gas,
2 marine vessels associated with these facilities, and ~~those pipelines~~
3 ~~and facilities necessary for the transmission of the regasified natural~~
4 ~~gas to the point of interconnection with existing pipelines. those~~
5 *pipeline facilities immediately appurtenant to liquefied natural*
6 *gas terminals necessary to facilitate the interconnection of a*
7 *liquefied natural gas terminal to any other pipeline facility or*
8 *natural gas distribution system.*

9 (e) ~~“Person” means an individual, organization, partnership, or~~
10 ~~other business association or corporation, the federal government,~~
11 ~~the state government, any local government, and any agency or~~
12 ~~instrumentality of any of those entities.~~

13 (f) ~~“Life-cycle emissions analysis” means assessment of~~
14 ~~greenhouse gas emissions of energy fuel sources that affect global~~
15 ~~climate change under regulations adopted pursuant to the California~~
16 ~~Global Warming Solutions Act of 2006, Division 25.5~~
17 ~~(commencing with Section 38500) of the Health and Safety Code.~~

18 25251. (a) As a component of the integrated energy policy
19 report of 2007 adopted pursuant to subdivision (a) of Section
20 25302, the commission shall conduct a study of the need for
21 liquefied natural gas imports to meet the state’s energy demand *at*
22 *reasonable prices* and shall be known as the Liquefied Natural
23 Gas Market Assessment Report of 2008.

24 (b) On or before July 1, 2008, the commission shall complete
25 and submit to the Governor and the Legislature the ~~Liquefied~~
26 *Liquefied* Natural Gas Market Assessment Report of 2008, and
27 shall incorporate the report into the integrated energy policy report
28 of 2007 adopted pursuant to subdivision (a) of Section 25302.

29 (c) In the preparation of the report, the commission shall consult
30 with affected state agencies including, but not limited to, the State
31 Air Resources Board, the Public Utilities Commission, the State
32 Lands Commission, the Department of Water Resources, and the
33 California Coastal Commission.

34 (d) The report shall assess all of the following:

35 (1) The future demand for natural gas in California, *including,*
36 *but not limited to, natural gas as an alternative transportation*
37 *fuel.*

38 (2) The future supply of natural gas in California available from
39 domestic production and imported into California through interstate
40 pipelines, *the* supply available from domestic production within

1 California, and *the* supply available from foreign production and
2 imported into California through international pipelines from
3 Mexico and Canada, including any liquefied natural gas terminal
4 proposed to be built outside the state and the nation that would be
5 the source of natural gas imported into the state.

6 (3) All supplemental sources of natural gas and natural gas
7 alternatives that can be reasonably expected to be available to meet
8 projected energy demand, including ~~but not limited to~~, *but not*
9 *limited to*, conservation, energy efficiency programs, and renewable
10 energy resources.

11 (4) *Projections of the price for natural gas under reasonable*
12 *supply and demand circumstances.*

13 (e) The report shall consider the impact of reducing electricity
14 derived from coal pursuant to Chapter 3 (commencing with Section
15 8340) of Division 4.1 of the Public Utilities Code, and the potential
16 of demand reduction opportunities, including, but not limited to,
17 the upgrading and retrofitting of energy infrastructure, the role of
18 renewable energy, and greater efficiency in building codes.

19 (f) The report shall include an analysis of what impact new
20 fossil fuel infrastructure will have on ~~investor-owned utilities'~~
21 ~~mandates~~ *mandates on investment owned utilities* under any
22 provision of law, including, but not limited to, the California
23 Renewables Portfolio Standard Program, Article 16 (commencing
24 with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the
25 Public Utilities Code.

26 (g) (1) On or before April 1, 2008, the commission shall prepare
27 a draft of the report and shall circulate the draft report to the public.

28 (2) Between April 15 and May 15, 2008, the commission shall
29 hold two public hearings, one in southern California and one in
30 the San Francisco Bay area. During the public hearings, the
31 commission shall accept public comment, testimony, and evidence
32 on the draft report for the purpose of creating a public record. The
33 public may submit written evidence to the commission on or before
34 May 15, 2008.

35 (h) (1) The final report shall include a finding based on the
36 entirety of the testimony and evidence submitted pursuant to
37 paragraph (2) of subdivision (g) as to whether natural gas supplies
38 projected as necessary to meet California's energy requirement
39 pursuant to the integrated energy policy report of 2007 can be
40 attained without importing natural gas to a terminal ~~or facility~~ sited

1 onshore or offshore of the California coast *at a price that does not*
2 *exceed the natural gas price referent.*

3 (2) The finding shall include *a determination of a natural gas*
4 *price referent, and* an analysis of market price, *retail rates*, market
5 transparency, projected suppliers, location of facilities, and quality
6 of the natural gas provided, as well as alternative scenarios for
7 supplying domestic natural gas through existing and planned
8 pipelines, including opportunities for conservation, efficiency, and
9 renewable energy.

10 (3) In reaching a finding that supplies of natural gas for
11 California markets will be sufficient, the commission shall
12 conclude, utilizing a substantial evidence standard that energy
13 supplies will be adequate to meet California's energy needs in an
14 economically feasible manner *and at a price that does not exceed*
15 *the natural gas price referent.*

16 (i) A party that has submitted evidence or testimony may
17 challenge the findings of the report within 30 days of the issuance
18 of the final report by filing a petition for a writ of mandate for
19 relief pursuant to Section 1085 of the Code of Civil Procedure ~~in~~
20 ~~the Superior Court of Sacramento County.~~

21 (2)
22 (j) For purposes of this section, "report" means the ~~Liquefied~~
23 ~~Liquefied Natural Gas~~ Gas Market Assessment Report of 2008.

24 25252. (a) For an integrated energy policy report adopted
25 pursuant to subdivision (a) of Section 25302 after January 1, 2009,
26 the commission shall include a ~~Liquefied~~ *Liquefied* Natural Gas
27 Market Assessment Report as a part of the integrated energy policy
28 report that contains all of the following:

29 (1) The assessments specified in subdivision (d) of Section
30 25251.

31 (2) The impacts specified in subdivision (e) of Section 25251.

32 (3) The analysis specified in subdivision (f) of Section 25251.

33 (b) In the preparation of the *Liquefied* Natural Gas Market
34 Assessment Report, the commission shall consult with affected
35 state agencies, including, but not limited to, the State Air Resources
36 Board, the Public Utilities Commission, the State Lands
37 Commission, the Department of Water Resources, and the
38 California Coastal Commission.

39 (c) (1) On or before August 1 of the year in which the
40 commission is required to ~~adopted~~ *adopt* an integrated energy

policy report pursuant to subdivision (a) of Section 25302, the commission shall prepare a draft of the *Liquefied* Natural Gas Market Assessment Report and shall circulate the draft report to the public.

(2) Between August 15 and September 15 of the year in which the commission is required to ~~adopted~~ *adopt* an integrated energy policy report pursuant to subdivision (a) of Section 25302, the commission shall hold two public hearings, one in southern California and one in the San Francisco Bay area. During the public hearings, the commission shall accept public comment, testimony, and evidence on the draft of the ~~Liquefied~~ *Liquefied* Natural Gas Market Assessment Report for the purpose of creating a public record. The public may submit written evidence to the commission on or before September 15 of that year.

(d) (1) The final ~~Liquefied Natural Gas~~ *Liquefied Natural Gas* Market Assessment Report shall include a finding based on the entirety of the testimony and evidence submitted pursuant to paragraph (2) of subdivision (c) as to whether natural gas supplies projected as necessary to meet California's energy requirement pursuant to the integrated energy policy report can be attained without importing natural gas to a terminal ~~or facility~~ *sited onshore or offshore of the California coast at a price that does not exceed the natural gas price referent*.

(2) The finding shall include *a determination of a natural gas referent and an analysis of market price, retail rates, market transparency, projected suppliers, location of facilities, and quality of the natural gas provided, as well as alternative scenarios for supplying domestic natural gas through existing and planned pipelines, including opportunities for conservation, efficiency, and renewable energy.*

(3) In reaching a finding that supplies of natural gas for California markets will be sufficient, the commission shall conclude, utilizing a substantial evidence standard that energy supplies will be adequate to meet California's energy needs in an economically feasible manner *and at a price that does not exceed the natural gas price referent*.

(e) A party that has submitted evidence or testimony may challenge the findings of the report within 30 days of the issuance of the final report by filing a petition for a writ of mandate for

1 relief pursuant to Section 1085 of the Code of Civil Procedure in
2 the Superior Court of Sacramento County.

3 25253. (a) The Governor, or a state or local entity shall not
4 approve the construction or operation of a liquefied natural gas
5 facility *terminal* in the state until the Liquefied Natural Gas Market
6 Assessment Report of 2008 is issued and becomes final and all
7 appeals have been exhausted, or November 1, 2008, whichever is
8 earlier.

9 ~~(b) Notwithstanding any other provision of law, nothing in this~~
10 ~~chapter shall be construed as a limitation on the acceptance, review,~~
11 ~~or processing of applications for state and local approvals for a~~
12 ~~liquefied natural gas terminal while the Liquefied Natural Gas~~
13 ~~Market Assessment Report is pending.~~

14 *(b) Notwithstanding any other provision of law, a state or local*
15 *permitting agency shall not use this chapter for the purpose of*
16 *limiting the acceptance, review, or processing of an application*
17 *for a permit while the Liquefied Natural Gas Assessment Report*
18 *is pending or while a judicial appeal of the report is pending.*

19 25254. On or before March 31, 2008, the commission shall
20 create a matrix on its Internet Web site that meets, *to the extent*
21 *that data are publicly available*, all of the following requirements:

22 (a) The matrix shall be in a format that allows the public to
23 contrast and compare each ~~LNG terminal either existing or~~
24 ~~proposed liquefied natural gas terminal, either existing or~~
25 *proposed*, that is located onshore or offshore anywhere from
26 Alaska, Canada, the west coast of the continental United States
27 and the west coast of Mexico including Baja California that may
28 provide natural gas to California.

29 (b) It shall include a summary of environmental impacts,
30 mitigation measures, and alternatives discussed in the
31 ~~Environmental Impact Report~~ *environmental impact report* (EIR)
32 completed for the project, along with an online link to the EIR.
33 For projects outside the state and nation a link to an equivalent
34 environmental review document.

35 (c) For each existing and proposed land-based or offshore
36 liquefied natural gas terminal project, the matrix shall include the
37 following information: project location, project owner, project
38 Web site, project contact, project description, average natural gas
39 production capacity in cubic feet per day, the peak natural gas
40 production capacity in cubic feet per day, ~~LNG liquefied natural~~

1 gas and natural gas storage capacity, if any, the approximate project
2 cost, projected online date, and the siting process applicable to the
3 project.

4 ~~(d) It shall include a life cycle emissions analysis of each project~~
5 ~~included in the matrix.~~

6 ~~(e)~~

7 (d) The matrix shall be updated as information becomes
8 available and no less than quarterly and shall include the major
9 project components and the potential environmental impacts
10 associated with each land-based and offshore natural gas import
11 terminal project proposal that has filed an application or has
12 publicly announced plans to build a land-based or offshore
13 terminal.

14 ~~(f)~~

15 (e) The commission shall post a new application for approval
16 to build and operate a natural gas import terminal in the state to
17 the matrix within 30 days after the filing of the application.

18 ~~25255. A state or local entity shall not approve a project to~~
19 ~~construct or operate a facility to import LNG into California unless~~
20 ~~the applicant files with the commission a memorandum of~~
21 ~~understanding with the United States Department of Defense~~
22 ~~indicating that the applicant has consulted with the United States~~
23 ~~Department of Defense and has reached agreement with the United~~
24 ~~States Department of Defense on means to mitigate impacts on~~
25 ~~United States Department of Defense operations with regard to~~
26 ~~impacts upon national security, including potential impacts on the~~
27 ~~land, sea, and airspace identified by the Department of Defense,~~
28 ~~any of its component armed services, or the United States Coast~~
29 ~~Guard, for conducting operations, training, or for the development~~
30 ~~and testing of weapons, sensors, and tactics.~~

31 *25255. A state or local entity shall not approve a project to*
32 *construct or operate a liquefied natural gas terminal, unless the*
33 *applicant has consulted with the United States Department of*
34 *Defense and the United States Coast Guard and has included*
35 *within the application, discussion and measures to mitigate impacts*
36 *on the United States Department of Defense and the United States*
37 *Coast Guard operations with regard to impacts upon national*
38 *security, including potential impacts on the land, sea, and airspace*
39 *identified by the Department of Defense, any of its component*
40 *armed services, or the United States Coast Guard, for conducting*

1 *operations or training, or for the research, development, testing,*
2 *and evaluation of weapons, sensors, and tactics.*

3 ~~25256. (a) For a project involving construction or operation~~
4 ~~of an onshore or offshore facility or terminal to import natural gas~~
5 ~~into the state that has not received a permit to operate by a local,~~
6 ~~state, or federal agency on or before January 1, 2008, an~~
7 ~~environment impact report prepared pursuant to the California~~
8 ~~Environmental Quality Act, Division 13 (commencing with Section~~
9 ~~21000), shall contain all of the following:~~

10 ~~(1) An analysis of feasible alternatives or mitigation measures~~
11 ~~available that would substantially lessen the significant~~
12 ~~environmental effects of the project.~~

13 ~~(2) A liquefied natural gas project technology review.~~

14 ~~(3) An analysis of alternatives, including, but not limited to,~~
15 ~~other known LNG technologies and other proposals to provide~~
16 ~~natural gas to the state.~~

17 ~~(4) (A) An analysis of potential disproportionate human health~~
18 ~~or environmental impacts upon a county, city, community, or~~
19 ~~neighborhood.~~

20 ~~(B) The lead agency shall consult with the California~~
21 ~~Environmental Protection Agency in conducting the analysis~~
22 ~~specified in subparagraph (A).~~

23 ~~(C) If the lead agency determines that there is a disproportionate~~
24 ~~human health or environmental impact, a project proponent shall~~
25 ~~eliminate or fully mitigate that impact or, if elimination or full~~
26 ~~mitigation of the impact is infeasible, shall mitigate the impact to~~
27 ~~the greatest extent feasible.~~

28 ~~(b) This section shall not be construed as a limitation on the~~
29 ~~power of a public agency to otherwise disapprove the project~~
30 ~~pursuant to any other provision of law.~~

31 SEC. 3. Section 25303 of the Public Resources Code is
32 amended to read:

33 25303. (a) The commission shall conduct electricity and natural
34 gas forecasting and assessment activities to meet the requirements
35 of paragraph (1) of subdivision (a) of Section 25302, including,
36 but not limited to, all of the following:

37 (1) Assessment of trends in electricity and natural gas supply
38 and demand, and the outlook for wholesale and retail prices for
39 commodity electricity and natural gas under current market
40 structures and expected market conditions, including an assessment

1 of California meeting its conservation, energy efficiency, and
2 renewable energy goals.

3 (2) Forecasts of statewide and regional electricity and natural
4 gas demand including annual, seasonal, and peak demand, and the
5 factors leading to projected demand growth including, but not
6 limited to, projected population growth, urban development,
7 industrial expansion and energy intensity of industries, energy
8 demand for different building types, energy efficiency, and other
9 factors influencing demand for electricity. With respect to
10 long-range forecasts of the demand for natural gas, the report shall
11 include an evaluation of average conditions, as well as best and
12 worst case scenarios, and an evaluation of the impact of the
13 increasing use of renewable resources on natural gas demand.

14 (3) Evaluation of the adequacy of electricity and natural gas
15 supplies to meet forecasted demand growth. Assessment of the
16 availability, reliability, and efficiency of the electricity and natural
17 gas infrastructure and systems including, but not limited to, natural
18 gas production capability both in and out of state, natural gas
19 interstate and intrastate pipeline capacity, storage and use, and
20 western regional and California electricity and transmission system
21 capacity and use.

22 (4) Evaluation of potential impacts of electricity and natural gas
23 supply, demand, and infrastructure and resource additions on the
24 electricity and natural gas systems, public health and safety, the
25 economy, resources, and the environment.

26 (5) Evaluation of the potential impacts of electricity and natural
27 gas load management efforts, including end-user response to
28 market price signals, as a means to ensure reliable operation of
29 electricity and natural gas systems.

30 (6) Evaluation of whether electricity and natural gas markets
31 are adequately meeting public interest objectives including the
32 provision of all of the following: economic benefits; competitive,
33 low-cost reliable services; customer information and protection;
34 and environmentally sensitive electricity and natural gas supplies.
35 This evaluation may consider the extent to which California is an
36 element within western energy markets, global energy markets,
37 the existence of appropriate incentives for market participants to
38 provide supplies and for consumers to respond to energy prices,
39 appropriate identification of responsibilities of various market
40 participants, and an assessment of long-term versus short-term

1 market performance. To the extent this evaluation identifies market
2 shortcomings, the commission shall propose market structure
3 changes to improve performance.

4 (7) Identification of impending or potential problems or
5 uncertainties in the electricity and natural gas markets, potential
6 options and solutions, and recommendations.

7 (8) (A) Compilation and assessment of existing scientific studies
8 that have been performed by persons or entities with expertise and
9 qualifications in the subject of the studies, to determine the
10 potential vulnerability, to a major disruption due to aging or a
11 major seismic event, of large baseload generation facilities, of
12 1,700 megawatts or greater.

13 (B) The assessment specified in subparagraph (A) shall include
14 an analysis of the impact of a major disruption on system reliability,
15 public safety, and the economy.

16 (C) The commission may work with other public entities and
17 public agencies, including, but not limited to, the California
18 Independent System Operator, the Public Utilities Commission,
19 the Department of Conservation, and the Seismic Safety
20 Commission as necessary, to gather and analyze the information
21 required by this paragraph.

22 (D) Upon completion and publication of the initial review of
23 the information required pursuant to this paragraph, the commission
24 shall perform subsequent updates as new data or new understanding
25 of potential seismic hazards emerge.

26 (b) Commencing November 1, 2003, and every two years
27 thereafter, to be included in the integrated energy policy report
28 prepared pursuant to Section 25302, the commission shall assess
29 the current status of the following:

30 (1) The environmental performance of the electric generation
31 facilities of the state, to include all of the following:

32 (A) Generation facility efficiency.

33 (B) Air emission control technologies in use in operating plants.

34 (C) The extent to which recent resource additions have, and
35 expected resource additions are likely to, displace or reduce the
36 operation of existing facilities, including the environmental
37 consequences of these changes.

38 (2) The geographic distribution of statewide environmental,
39 efficiency, and socioeconomic benefits and drawbacks of existing
40 generation facilities, including, but not limited to, the impacts on

1 natural resources including wildlife habitat, air quality, and water
2 resources, and the relationship to demographic factors. The
3 assessment shall describe the socioeconomic and demographic
4 factors that existed when the facilities were constructed and the
5 current status of these factors. In addition, the report shall include
6 how expected or recent resource additions could change the
7 assessment through displaced or reduced operation of existing
8 facilities.

9 (c) In the absence of a long-term nuclear waste storage facility,
10 the commission shall assess the potential state and local costs and
11 impacts associated with accumulating waste at California's nuclear
12 powerplants. The commission shall further assess other key policy
13 and planning issues that will affect the future role of nuclear
14 powerplants in the state. The commission's assessment shall be
15 adopted on or before November 1, 2008, and included in the 2008
16 energy policy review adopted pursuant to subdivision (d) of Section
17 25302.

18 SEC. 4. No reimbursement is required by this act pursuant to
19 Section 6 of Article XIII B of the California Constitution because
20 this act provides for offsetting savings to local agencies or school
21 districts that result in no net costs to the local agencies or school
22 districts, within the meaning of Section 17556 of the Government
23 Code.